

Frequently Asked Questions (FAQs)

Question: In Rule 2 of the regulation, within the topic “Transportation”, the following excerpt is stated in paragraph three; “**The minimum miles traveled per day to be eligible to collect a night’s lodging must be 400**”. Please clarify the intent of this statement and describe what effect, if any, it has on in-state travel or overnight trips less than 400 miles from an employee’s “official station”.

Answer: The requirement to travel a minimum of 400 miles daily has no effect on in-state travel nor does it affect travel outside the state where the destination is less than 400 miles from the employee’s “official station”. The requirement applies to trips where the destination is 400 miles or more from the “official station”. It addresses the period of time the employee(s) spends “en-route” or in “travel status” reaching the destination.

In the previous travel regulation, the subject was covered in the “Out-of State” section of the regulation, and the daily requirement for travel distance was 375 miles. The purpose of the provision is to prohibit excessive meals and lodging costs and lost employee productivity in those cases where an employee chooses to drive a vehicle rather than utilize air travel.

Question: I recently noticed that the revised Per Diem rates (M&IE Rate) for Arkansas effective October 1, 2004 included an allowance for meals for partial days in travel status for Garland and Pulaski Counties. There was no mention of an allowance for meals for partial days in travel status in any other county of the State. Is there an allowance, and if so, what is it?

Answer: There is an allowance for partial days in travel status which equates to 75% of the daily allowance regardless of the destination. The partial day limits stated for the two counties mentioned (Garland and Pulaski) in the Federal Travel Allowance chart are 75% of the daily allowance. Reimbursement for partial days in travel status would have the 75% limit in any county of the State and in any location traveled to out of state. For example, if a traveler departs on Tuesday, spends the night out Tuesday and Wednesday nights, and returns to his/her official station on Thursday, there would be an allowance of 75% for Tuesday (day of departure) and 75% for Thursday (last day of travel). The daily travel allowance at the destination location shall be used in the calculation of the limit for partial days. In accordance with the State travel regulations, actual expenses only are allowed and the charges must be in proportion to the time in travel status, not to exceed that allowed by the Federal Travel Regulations.

Question: Do the State Travel Regulations authorize an agency director to be reimbursed for an expense for a meal for an official guest?

Answer: This is considered an allowable expense when claimed as an incidental expense only if a letter of explanation is attached to the TR-1 in the

files, made available for Legislative Audit review, stating how the person for whom the expenditure was made benefited your agency in his/her visit.

Question: Is it permissible for an agency to pay for the cost of insurance coverage, both liability and physical damage, for vehicle rented by the State?

Answer: The cost of both physical damage and liability insurance purchased in conjunction with the rental of a vehicle from a vehicle rental company may be paid where the vehicle rental is billed direct to and in the name of the agency, charged on the Agency Travel Card or paid by the traveler and claimed as a reimbursable expense on his/her Travel Reimbursement Request TR-1 form.

Question: Is an invoice received by electronic transmission (fax or e-mail) considered an original invoice? Page 127 of the Financial Management Guide discusses electronic transmissions but I am unclear whether it is referring to the original or duplicate invoice.

Answer: An invoice, as defined in the Glossary of the Financial Management Guide, is the evidence of indebtedness as originally transmitted to the paying State agency, whether in the form of a paper (hard copy) or electronically transmitted (fax or email) that can be verified as an official obligation of the agency.

The evidence of indebtedness must comply with the provisions of R2-19-4-1210 of the Financial Management Guide. The same definition as to method of transmission would apply to a "duplicate" invoice.

Question: Situation-A State agency bills another State agency for products/services and receives the payments from the customer agency. The payments are deposited in the billing agency's Internal Service Fund. Later it is discovered the billing agency overcharged the customer agency, and the overcharges were made and receipts collected over a 30 month period.

Must the billing agency repay the amount of the overcharges, and may the customer agency keep the funds resulting from the refund?

Answer: Refunds to expenditures are broken down by current and prior year. Current year refunds to expenditures give the agency back their funding and appropriation to use again during the current fiscal year. Prior year refunds do not restore appropriation or funding unless the appropriation and funds are considered carry-forward. Generally this means that if the agency gets general revenue funding the money is removed from the agency's fund when the transaction is processed. If the agency is funded by federal or special revenue funds the money remains in the agency's fund to spend with current year appropriation.

This assumes that the incorrect billing has been paid and the refund is requested to be made by warrant. However, a credit memo may be issued if that method of refund is the normal and customary practice of the issuing agency. The refund or credit memo may be

issued regardless of the age of the original transactions which created the over-billing/overpayment.

Question: What are the limitations of the use of the provision entitled “Reimbursement of Expenses between Agencies,” R1-19-4-1801? My department plans to purchase equipment for another department/agency, and the benefiting agency plans to repay my department when funds become available. My department will need appropriation restored.

Answer: The transaction you described is not the intent of the provision contained in R1-19-4-1801. This provision was primarily established to correct erroneous payments made by agencies. In cases when an agency pays for an obligation and inadvertently charges the payment to another agency or when, for the convenience of and in the best interest of the State, one agency pays for a service or product that is ordered for use by multiple agencies, the rule and provision would apply. The transaction described in your question seeks to circumvent the appropriation process and, therefore, would not apply to the provisions described in R1-19-4-1801.

Question: Recent changes in the IRS regulations with regard to the administration of the refund of Federal Excise Taxes on Motor Fuel require the “ultimate user” only to apply for and receive the refunds. Heretofore the gasoline credit card companies, contracted fuel suppliers and bulk suppliers have deducted the amount of the federal excise taxes on fuel purchases for State agencies and claimed the refund. How are the receipt of the refunds to be treated upon deposit and entry into the financial management system?

Answer: The new method being adopted by the IRS will require that the taxes be paid to the vendor, whether the vendor be a retail outlet, bulk distributor or contracted fuel supplier. The State agency, or in some cases the contracted supplier on behalf of the agency, will apply for the refund based on gallons purchased. The IRS will refund the amount of excise taxes paid to the agency. The receipt is to be treated as a “refund to expenditure” since it was for a specific amount of the original purchase, known at the time of purchase, to be refundable upon application. The receipt, when properly recorded, will restore the appropriation in the amount of such receipt.

Question: Under “Insurance Proceeds” under the subject of Marketing and Redistribution in the Financial Management Guide the following statement appears:

Property Other Than Vehicles

The proceeds received from an insurance policy for loss of property due to fire, storm or other causes owned by an agency must be processed through M&R. This is done through the use of a Certificate of Property Disposal (CPD). The Agency must keep a copy of the completed CPD for an audit trail.

Does this requirement include insurance proceeds related to loss of real property such as office buildings and other structures?

Answer: No. The statement is intended to refer only to personal property such as furniture, equipment and supplies.

Question: What situations qualify as a “Reimbursement” between State Agencies?

Answer: GAAP defines interfund reimbursements as “repayments from the funds responsible for particular expenditures or expense to the funds that initially paid for them.” Per GAAP, interfund reimbursements should be treated as an increase in expenditures or expenses in the reimbursing fund and a decrease in expenditures in the reimbursed fund. Allocation of indirect cost (overhead) should also be classified as reimbursements. Both of the following scenarios comply with GAAP with scenario one restoring appropriation if a current year refund and scenario two not restoring appropriation. Refunds to expenditures are permitted by law only in certain instances including reimbursements to state agencies for cost-sharing purposes.

GAAP also states that when governments concentrate one or more risk financing activities in a single fund, premiums received from other funds should be treated as an interfund reimbursement. An exception to this rule is when the premiums paid are in excess of related expenditures, these excess premiums should be treated as an interfund transfers. The current practice is for agencies to record expense and the risk financing activity to record revenue. Agencies should continue this practice. These payments will be evaluated and adjusted accordingly by the DFA CAFR Section.

Scenarios

When a refund to expenditure is specifically permitted by law:

1. Agency 1 pays an expense on behalf of Agency 2. Agency 1 has used their funds and appropriation. Agency 2 makes a warrant payable to Agency 1. Agency 1 deposits the warrant as current or prior year refund to expenditure. If a current year refund, Agency 1 submits a request for a refund to expenditure to the Office of Accounting. This will restore Agency 1’s appropriation. If a prior year refund, nothing else is done by Agency 1. End result, funds and appropriation are restored if a current year refund and funds only are restored if prior year. In the event the prior year refund is deposited into a “reclaimable fund”, the funds will be reclaimed by DFA so neither funds or appropriation is restored in this case.
2. Agency 1 and Agency 2 agree to co-host a training seminar. Agency 1 pays expenses related to the seminar and therefore has used their funds and appropriation. Agency 2 reimburses Agency 1 for their share of the expenses. Agency 2 makes a warrant payable to Agency 1. Agency 1 deposits the warrant as either a current or prior year refund to expenditure. If a current year refund,

Agency 1 submits a request for a refund to expenditure to the Office of Accounting. This will restore Agency 1's appropriation. If a prior year refund, nothing else is done by Agency 1. End result, funds and appropriation are restored if a current year refund and funds only are restored if prior year. In the event the prior year refund is deposited into a "reclaimable fund", the funds will be reclaimed by DFA so neither funds or appropriation is restored in this case.

When a refund to expenditure is not specifically permitted by law:

Agency 1 pays an expense on behalf of Agency 2. Agency 1 has used their funds and appropriation. Agency 2 makes a warrant payable to Agency 1. Agency 1 deposits the warrant as current or prior year refund to expenditure. If a current year refund, Agency 1 debits current year refund to expenditure and credits a non-budget relevant account that closely relates to the original expense general ledger account used. End result, funds only are restored but not appropriation. In the event the prior year refund is deposited into a "reclaimable fund", the funds will be reclaimed by DFA so neither funds or appropriation is restored in this case.

Both scenarios comply with GAAP which define interfund reimbursements as "repayments from the funds responsible for particular expenditures or expense to the funds that initially paid for them." Per GAAP interfund reimbursements should be treated as an increase in expenditures or expenses in the reimbursing fund and a decrease in expenditures in the reimbursed fund. The first two scenarios allow appropriation to be restored and the last does not.

Question: How are P-Card transactions treated with regard to Y vouchers?

June, 2005 P-Card statements process on the 15th and are paid somewhere around the 22nd of the month. If we allow employees to use their P-card during the last couple of weeks of June the billing will cross over fiscal years. Some of the charges will post with a June date and some will post with a July date. But the bill itself will be dated July 15.

Last year we were told that bills like utilities that crossed months were not considered Y payments. **My question is, would the charges with a June date be Y payments?**

Answer: P Card purchases will not be handled as utilities and credit card statements. Utility billing cycles are not under our control. Credit card billings generally are tied to travel status, which span the year end, and to report in two separate pieces is unmanageable.

P Card purchases were specifically discussed prior to implementation and are not provided the same treatment at year end. The agency can dictate the terms of use and therefore, the billing.

Question: Please explain the application of the State's partial day travel reimbursement policy for meals.

Answer: The State's Financial Management Guide states that the State of Arkansas will adhere to the Federal Travel Regulations for reimbursement of meals. The general website is <http://www.gsa.gov/ftt>. The federal rate for the State of Arkansas is \$28.00 per day plus applicable sales tax, broken out to \$6 each for breakfast and lunch, \$16.00 for dinner for all localities other than Little Rock and Hot Springs. Please note this amount is derived by taking the federal rate and subtracting the incidental amount, which does not apply to the State travel regulations. Incidental expenses that are justified as necessary business expenses are reimbursed on actual cost, documented by supporting receipts in a separate category on the TR-1. Tips, gratuities, baggage handling fees, etc. covered by the \$3 per day in the federal per diem are not reimbursable expenses for State employees.

Partial day travel assumes that the traveler either leaves his duty station or returns to his duty station during the workday. If the traveler leaves prior to lunch on an overnight trip, both lunch and dinner are eligible for reimbursement not to exceed \$22.00 plus sales tax. If the traveler leaves after lunch on an overnight trip, the only meal eligible for reimbursement would be dinner at \$16.00 plus sales tax.

Travelers returning from an overnight trip would be eligible for breakfast and/or lunch at \$6.00 per meal plus sales tax depending on the arrival time at their duty station. The key to determining the eligible meals is the word "proportional" as stated in the travel regulations for reimbursement.

Question: Can an agency add or change an official form such as the Travel Reimbursement form?

Answer: An agency may not delete any part of the official form, however they may add to the form to fulfill the requirements of their agency. For instance an agency wants to add two lines to capture the departure/return information on the form. This type of change is acceptable.